



*(University of Choice)*

**MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY (MMUST)**

**MAIN CAMPUS  
UNIVERSITY EXAMINATIONS**

**2021/2022 ACADEMIC YEAR (REGULAR)  
SECOND YEAR SECOND SEMESTER MAIN EXAMS FOR DIPLOMA IN GENERAL  
AGRICULTURE AND HORTICULTURE**

**COURSE CODE: DAG/DAH 068**

**COURSE TITLE: PRODUCTION AND DEVELOPMENTAL ECONOMICS**

**DATE: 25<sup>TH</sup> APRIL, 2022**

**TIME: 12-2PM**

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**INSTRUCTIONS TO STUDENTS**

**Answer all questions in section A**

**Answer any TWO questions in section B**

**Total marks=70**

*MMUST observes ZERO tolerance to examination cheating*

**SECTION A (30 MARKS)**

1. Differentiate the following terminologies as used in production economics. **(4mks)**
  - a) Fixed inputs from variable inputs
  - b) Isocosts from isoquants
2. Illustrate how an entrepreneur can minimize the cost of production on a farm? **(4 mks)**
3. Explain the economic questions in farm management decisions. **(3mks)**
4. What are some of the factors that influence an entrepreneur’s decision-making? **(4 mks)**
5. With the aid of an illustration, discuss the relationship between marginal and average products? **(5mks)**
6. Write a detailed discussion of the factors of production? **(10mks)**

**SECTION B (40 MARKS)**

7. Discuss the nature of agricultural production. **(20 mks)**
8. a) What is a production function? **(2 mks)**
  - b) Draw a short-run production curve. **(4mks)**
  - b) Explain the 3 regions in the short-run production curve above? **(6mks)**
  - c) Given below table;

Cost (C) (Ksh.)	Labour(wages= Ksh. 600 per L per hour)	Machine Rental (R) (Ksh. 300 per hour)
3,000	0	10
B	1	8
3,000	2	6
3,000	3	4
E	4	2
3,000	5	0

- i) Calculate the Cost at B and at E. **(2mks)**
  - ii) Draw the isocost line **(2mks)**
    - a. Illustrate what would happen to the isocost line in any case of change in labour units. **(4mks)**
9. a) Differentiate between risk and uncertainty. **(4mks)**
    - b) Discuss any 4 sources of risks **(8mks)**
    - c) Discuss how a farmer would mitigate the risks and uncertainties. **(8mks)**